



California Transportation Fuels Historical & Forecasted Demand

Investigating the Causes of California's
Petroleum Infrastructure Development Constraints

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*Gordon Schremp
Transportation Fuels Office
California Energy Commission*



Fuel Demand & Supply Outlook

- California gasoline demand for 2004 estimated at 15.9 to 16.1 billion gallons, diesel fuel at 2.7 to 2.8 billion gallons
- California represents nearly 12 percent of United States gasoline demand & 7 percent for diesel fuel
- Demand for California transportation fuels expected to increase between 1.5 and 2.3 percent per year
- Refinery capacity increases have been small over the last several years, but could see some future gains
 - ConocoPhillips, Valero & Paramount Petroleum projects
- Refineries operate at or near maximum capacity, little ability to “ramp up” production
- Imports will become a growing and important source of supply for California, unless demand trend is decreased

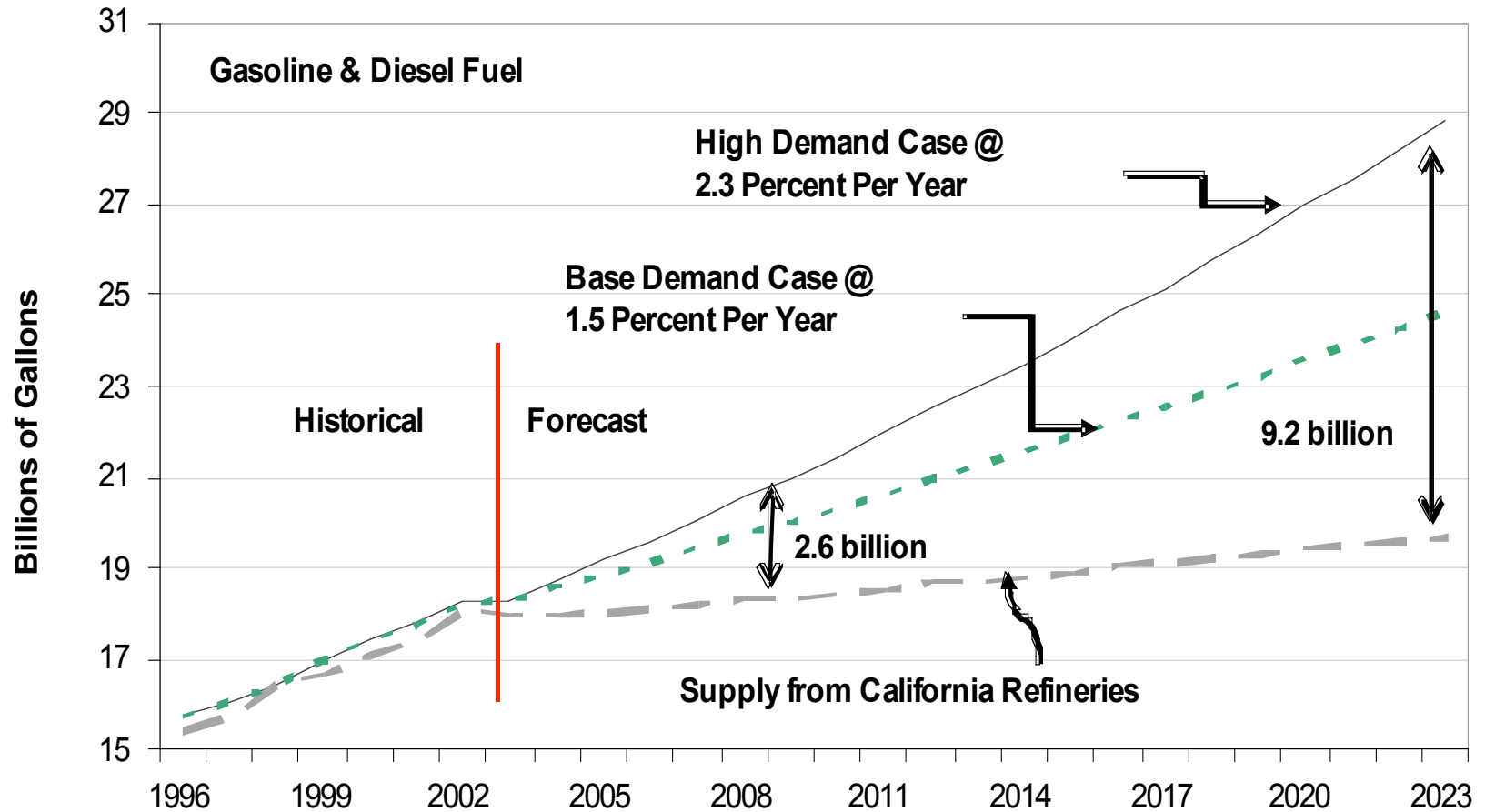


Factors Driving Demand

- Why does transportation fuel demand continue to increase?
- Several factors contribute to increased demand
 - Population growth
 - More driving per person
 - Increases in household income
- Demand scenario assumptions
 - Base case – higher fuel prices
 - High case – lower prices, strong VMT growth
- Local supply assumptions
 - Shell Bakersfield ceases operations by October 1, 2004
 - Paramount Petroleum project completed by January 2005



California Demand versus Local Supply



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Forecast Scenarios

- What actions will be necessary to deal with this outlook?
 - Short term approaches to ensure adequate supplies?
 - Long term strategies to impact demand?
 - Combination of both?
- Short term approaches
 - Recognition that significant changes in demand for traditional petroleum fuels will take many years to achieve
 - During the interim, the anticipated large influx of additional imports will require multiple infrastructure improvements
 - A shift to regional and statewide perspectives may be required to better understand the necessity and critical timing of these needs
- Long term strategies
 - Multiple approaches can be utilized to impact demand
 - Implementation of these strategies will take time